

**REPORT OF THE AUDIT OF THE  
CARTER COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CARTER COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**

The Auditor of Public Accounts has completed the Carter County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash balances increased by \$3,050,369 from the beginning of the year, resulting in a cash surplus of \$5,807,508 as of June 30, 2003. The increase in fund balances is attributed to bond proceeds received for the construction of the Carter County Justice Center.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2003, was \$13,510,000. Future collections of \$18,609,038 are needed over the next 30 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$24,656 as of June 30, 2003. Future principal and interest payments of \$25,185 are needed to meet these obligations.

#### **Report Comments:**

- 2003-01 Lacks Adequate Segregation Of Duties
- 2003-02 The Fiscal Court Should Adopt A Written Investment Policy
- 2003-03 The Fiscal Court Should Maintain A Schedule Of Federal Financial Assistance
- 2003-04 The Fiscal Court Overspent The Detention Facility Bond Issue Fund
- 2003-05 The Fiscal Court Did Not Maintain Controls Over Procurement, Suspension And Debarment For The Olive Hill High School Rehab Program

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Charles Wallace, Carter County Judge/Executive

Honorable Alice Joy Binion, Former Carter County Judge/Executive

Members of the Carter County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Carter County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - governmental fund type, the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund type, and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the Carter County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Carter County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2003, of Carter County, Kentucky, and the revenues received and expenditures paid, and the cash flows of its enterprise fund for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Charles Wallace, Carter County Judge/Executive  
Honorable Alice Joy Binion, Former Carter County Judge/Executive  
Members of the Carter County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2004, on our consideration of Carter County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Carter County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- 2003-01 Lacks Adequate Segregation Of Duties
- 2003-02 The Fiscal Court Should Adopt A Written Investment Policy
- 2003-03 The Fiscal Court Should Maintain A Schedule Of Federal Financial Assistance
- 2003-04 The Fiscal Court Overspent The Detention Facility Bond Issue Fund
- 2003-05 The Fiscal Court Did Not Maintain Controls Over Procurement, Suspension And Debarment For The Olive Hill High School Rehab Program

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 15, 2004



CARTER COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

**Fiscal Court Members:**

Charles Wallace	County Judge/Executive
David McDavid	Magistrate
Carlos Wells	Magistrate
Jeff Kiser	Magistrate
Debbie Carper	Magistrate
Judy Roark	Magistrate

**Other Elected Officials:**

Michael Fox	County Attorney
Randy Binion	Jailer
Hugh McDavid	County Clerk
Larry Thompson	Circuit Court Clerk
Kevin McDavid	Sheriff
Charles Kiser, Jr.	Property Valuation Administrator
George Sparks	Coroner

**Appointed Personnel:**

Glenna Wallace	County Treasurer
Cindy Stratton	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

CARTER COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	<u>Governmental Fund Type</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,251,072	\$ 14,716	\$ 4,529,493	\$
Total Assets	<u>\$ 1,251,072</u>	<u>\$ 14,716</u>	<u>\$ 4,529,493</u>	<u>\$ 0</u>
<u>Other Resources</u>				
Amounts to Be Provided in Future Years for:				
Bonds Payable:				
Detention Center (Note 4A)	\$	\$	\$	\$ 6,040,000
Justice Center (Note 4B)			2,940,507	
Capital Lease (Note 5)	<u>24,656</u>			
Total Other Resources	<u>\$ 24,656</u>	<u>\$ 0</u>	<u>\$ 2,940,507</u>	<u>\$ 6,040,000</u>
Total Assets and Other Resources	<u><u>\$ 1,275,728</u></u>	<u><u>\$ 14,716</u></u>	<u><u>\$ 7,470,000</u></u>	<u><u>\$ 6,040,000</u></u>

The accompanying notes are an integral part of the financial statements.

CARTER COUNTY  
 STATEMENT OF ASSETS, LIABILITIES,  
 AND EQUITY ARISING FROM CASH TRANSACTIONS  
 June 30, 2003  
 (Continued)

Proprietary Fund Type	Totals (Memorandum Only)	
	Primary Government	
<u>Enterprise</u>		
\$ 13,409	\$ 5,808,690	
\$ 13,409	\$ 5,808,690	
\$	\$ 6,040,000	
	2,940,507	
	24,656	
\$ 0	\$ 9,005,163	
\$ 13,409	\$ 14,813,853	

The accompanying notes are an integral part of the financial statements.

CARTER COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2003  
(Continued)

	Governmental Fund Type			
	General	Special Revenue	Capital Projects	Debt Service
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Bonds:				
Detention Center (Note 4A)	\$	\$	\$	\$ 6,040,000
Justice Center (Note 4B)			7,470,000	
Capital Lease (Note 5)	24,656			
Total Liabilities	\$ 24,656	\$ 0	\$ 7,470,000	\$ 6,040,000
<u>Equity</u>				
Retained Earnings	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances:				
Unreserved	1,251,072	14,716		
Total Equity	\$ 1,251,072	\$ 14,716	\$ 0	\$ 0
Total Liabilities and Equity	<u>\$ 1,275,728</u>	<u>\$ 14,716</u>	<u>\$ 7,470,000</u>	<u>\$ 6,040,000</u>

The accompanying notes are an integral part of the financial statements.

CARTER COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2003  
(Continued)

Proprietary Fund Type	Totals (Memorandum Only)	
	Primary Government	
<u>Enterprise</u>		
\$	\$	6,040,000
		7,470,000
		<u>24,656</u>
<u>\$ 0</u>	<u>\$</u>	<u>13,534,656</u>
\$ 13,409	\$	13,409
		<u>1,265,788</u>
<u>\$ 13,409</u>	<u>\$</u>	<u>1,279,197</u>
<u>\$ 13,409</u>	<u>\$</u>	<u>14,813,853</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE

CARTER COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,977,990	\$ 1,341,999	\$ 290,650	\$ 242,695
Other Financing Sources:				
Transfers In		150,000	375,000	
Bond Proceeds				
Total Cash Receipts	<u>\$ 1,977,990</u>	<u>\$ 1,491,999</u>	<u>\$ 665,650</u>	<u>\$ 242,695</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,493,627	\$ 1,466,536	\$ 711,708	\$ 450,242
Other Financing Uses:				
Schedule of Justice Center Corporation Fund Expenditures				
Transfers Out	621,579			
Bonds:				
Principal Paid				
Interest Paid				
Borrowed Money Repaid				
Capital Lease - Principal		40,187		
Total Cash Disbursements	<u>\$ 2,115,206</u>	<u>\$ 1,506,723</u>	<u>\$ 711,708</u>	<u>\$ 450,242</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (137,216)	\$ (14,724)	\$ (46,058)	\$ (207,547)
Cash Balance - July 1, 2002	<u>1,028,588</u>	<u>68,097</u>	<u>140,302</u>	<u>259,852</u>
Cash Balance - June 30, 2003	<u>\$ 891,372</u>	<u>\$ 53,373</u>	<u>\$ 94,244</u>	<u>\$ 52,305</u>

The accompanying notes are an integral part of the financial statements.

CARTER COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2003  
(Continued)

General Fund Type			Special Revenue Fund Type		Capital Projects Fund Type
Enhanced 911 Fund	1979 Kentucky Residential Mortgage Revenue Bond Defeasance Fund	Governor's Surplus Spending Fund	Community Development Block Grant Fund	Forestry Fund	Justice Center Corporation Fund
\$ 219,151	\$ 1,064	\$ 164	\$ 618,188	\$ 3,985	\$ 116,032
					7,308,043
\$ 219,151	\$ 1,064	\$ 164	\$ 618,188	\$ 3,985	\$ 7,424,075
\$ 286,662	\$	\$	\$ 618,186	\$	\$
					1,674,999
					206,543 1,014,000
\$ 286,662	\$ 0	\$ 0	\$ 618,186	\$ 0	\$ 2,895,542
\$ (67,511) 150,817	\$ 1,064 63,083	\$ 164 10,979	\$ 2 2	\$ 3,985 10,727	\$ 4,528,533 960
\$ 83,306	\$ 64,147	\$ 11,143	\$ 4	\$ 14,712	\$ 4,529,493

The accompanying notes are an integral part of the financial statements.

CARTER COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2003  
(Continued)

	Debt Service Fund Type	
	Detention Facility Bond Issue	Totals (Memorandum Only)
<u>Cash Receipts</u>		
Schedule of Operating Revenue	\$ 12,749	\$ 4,824,667
Other Financing Sources:		
Transfers In	96,579	621,579
Bond Proceeds		7,308,043
Total Cash Receipts	<u>\$ 109,328</u>	<u>\$ 12,754,289</u>
<u>Cash Disbursements</u>		
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 770,838	\$ 5,797,799
Other Financing Uses:		
Schedule of Justice Center Corporation		
Fund Expenditures		1,674,999
Transfers Out		621,579
Bonds:		
Principal Paid	65,000	65,000
Interest Paid	297,222	503,765
Borrowed Money Repaid		1,014,000
Capital Lease - Principal		40,187
Total Cash Disbursements	<u>\$ 1,133,060</u>	<u>\$ 9,717,329</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (1,023,732)	\$ 3,036,960
Cash Balance - July 1, 2002	<u>1,023,732</u>	<u>2,757,139</u>
Cash Balance - June 30, 2003	<u>\$ 0</u>	<u>\$ 5,794,099</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE



CARTER COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund</u>
	Jail Canteen
	Fund
<u>Cash Receipts</u>	
Receipts - Jail Canteen	\$ 66,195
Total Cash Receipts	\$ 66,195
<u>Cash Disbursements</u>	
Expenditures - Jail Canteen	\$ 52,786
Total Cash Disbursements	\$ 52,786
Excess of Cash Receipts Over Cash Disbursements	\$ 13,409
Cash Balance - July 1, 2002	
Cash Balance - June 30, 2003	\$ 13,409

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE



CARTER COUNTY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
	Jail Canteen Fund
Cash Flows From Operating Activities:	
Cash Received From Inmate Sales	\$ 66,195
Operating Disbursements	<u>(52,786)</u>
Net Cash Provided By Operating Activities	<u>\$ 13,409</u>
Cash and Cash Equivalents - Beginning	<u>\$</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 13,409</u></u>

The accompanying notes are an integral part of the financial statements.

CARTER COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Carter County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Carter County Justice Center Corporation as part of the reporting entity.

Carter County Justice Center Corporation

The Carter County Justice Center Corporation (the Corporation) is a legally separate entity established to provide long-term debt service to the Fiscal Court for the construction of a justice center facility. A majority of the Corporation's governing body is appointed by the Carter County Judge/Executive. Further, the Carter County Fiscal Court can significantly influence the Corporation's operations. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity is blended with that of the Fiscal Court.

Additional - Carter County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Carter County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Carter County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

CARTER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Carter County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Enhanced 911 Fund, 1979 Kentucky Residential Mortgage Revenue Bond Defeasance Fund, and the Governor's Surplus Spending Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Carter County Special Revenue Fund Type includes the following county funds: Community Development Block Grant Fund and Forestry Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Detention Facility Bond Issue Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Justice Center Corporation Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

5) Enterprise Fund Type

The Enterprise Fund Type is used to report activity for which a fee is charged to external users for goods or services. The Carter County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

CARTER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets are not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Carter County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Justice Center Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit. For the purpose of the statement of cash flows, the county considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CARTER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Ambulance Service is considered a related organization of Carter County Fiscal Court.

G. Jointly Governed Organization

A jointly governed organization is an entity that results from a multigovernmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The jointly governed organization can act independently of each of the participating governments. The Northeast Kentucky Regional Industrial Park Authority meets the criteria noted above and is an organization jointly governed by the Kentucky Counties of Boyd, Carter, Elliott, Greenup, and Lawrence.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

CARTER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 4. Long-Term Debt

A. Carter County Detention Facility General Obligation Improvement Bonds

On May 1, 2001, the Carter County Fiscal Court issued \$6,105,000 of General Obligation Improvement bonds for financing the construction of the Carter County Detention Facility. The bonds require semiannual interest and principal payments to be made on May 1 and November 1 of each year. The interest payments commence on November 1, 2001, and the principal payments commence on May 1, 2003. As of June 30, 2003, the principal amount outstanding was \$6,040,000. Bond payments for the remaining years were:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 294,818	\$ 75,000
2005	292,043	85,000
2006	288,812	105,000
2007	284,718	110,000
2008	280,318	115,000
2009-2013	1,322,268	675,000
2014-2018	1,153,632	855,000
2019-2023	922,517	1,100,000
2024-2028	608,081	1,440,000
2029-2032	<u>194,750</u>	<u>1,480,000</u>
Totals	<u>\$ 5,641,957</u>	<u>\$ 6,040,000</u>

B. Carter County Justice Center Corporation First Mortgage Revenue Bonds

On August 1, 2001, the Carter County Justice Center Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of constructing the Justice Center and obtaining office rental space for the AOC at the Justice Center. Subsequently, on July 1, 2002, the Carter County Justice Center Corporation issued First Mortgage Revenue Bonds in order to construct the Carter County Justice Center.

The Carter County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are acting as agents for the AOC in order to plan, design, construct, manage and maintain the Justice Center. The Carter County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust expect annual rentals from the AOC for use of the Justice Center to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, the AOC has agreed to pay directly to the paying agent bank, the use allowances payment as provided in the lease. The lease agreement is renewable each year. The Carter County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the bonds.



CARTER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 4. Long-Term Debt (Continued)

B. Carter County Justice Center Corporation First Mortgage Revenue Bonds (Continued)

The use allowance payment commences with occupancy of the Justice Center by the Administrative Office of the Courts. The AOC with the execution of the lease has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until March 1, 2022, but the lease does not legally obligate the Administrative Office of Courts to do so.

The bonds require semiannual interest and principal payments to be made on May 1 and November 1 of each year. The interest payments commence on March 1, 2003, and the principal payments commence on March 1, 2004. As of June 30, 2003, the principal amount outstanding was \$7,470,000. Bond payments for the remaining years were:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 309,815	\$ 260,000
2005	304,355	265,000
2006	297,730	270,000
2007	290,170	275,000
2008	281,645	285,000
2009-2013	1,244,308	1,610,000
2014-2018	881,430	1,990,000
2019-2023	<u>377,121</u>	<u>2,515,000</u>
Totals	<u>\$ 3,986,574</u>	<u>\$ 7,470,000</u>

Note 5. Capital Leases

On February 20, 1999, the Carter County Fiscal Court entered into a lease agreement with Caterpillar Financial Services Corporation for the purchase of road equipment. The agreement requires monthly payments of \$3,598. As of June 30, 2003, the principal balance was \$24,656. Lease payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 529	\$ 24,656
Totals	<u>\$ 529</u>	<u>\$ 24,656</u>

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



CARTER COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,846,354	\$ 1,977,990	\$ 131,636
Road and Bridge Fund	1,131,995	1,341,999	210,004
Jail Fund	349,126	290,650	(58,476)
Local Government Economic Assistance Fund	231,600	242,695	11,095
Enhanced 911 Fund	209,100	219,151	10,051
1979 Kentucky Residential Mortgage Revenue Bond Defeasance Fund		1,064	1,064
Governor's Surplus Spending Fund	200	164	(36)
<u>Special Revenue Fund Type</u>			
Community Development Block Grant Fund	1,869,164	618,188	(1,250,976)
Forestry Fund	4,100	3,985	(115)
<u>Capital Projects Fund Type</u>			
Justice Center Corporation Fund		116,032	116,032
<u>Debt Service Fund Type</u>			
Detention Facility Bond Issue	712,223	12,749	(699,474)
Totals	<u>\$ 6,353,862</u>	<u>\$ 4,824,667</u>	<u>\$ (1,529,195)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 6,353,862
Add: Budgeted Prior Year Surplus			909,141
Less: Other Financing Uses			<u>(402,410)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 6,860,593</u>

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SCHEDULE OF OPERATING REVENUE





CARTER COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

Revenue Categories	GOVERNMENTAL FUND TYPE				
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Capital Projects Fund Type	Debt Service Fund Type
Taxes	\$ 1,383,088	\$ 1,379,103	\$ 3,985	\$	\$
In Lieu Tax Payments	21,885	21,885			
Excess Fees	86,822	86,822			
Licenses and Permits	25,628	25,628			
Intergovernmental Revenues	2,898,739	2,280,551	618,188		
Charges for Services	89,419	89,419			
Miscellaneous Revenues	163,941	161,229			2,712
Interest Earned	155,145	29,076		116,032	10,037
Total Operating Revenue	<u>\$ 4,824,667</u>	<u>\$ 4,073,713</u>	<u>\$ 622,173</u>	<u>\$ 116,032</u>	<u>\$ 12,749</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

CARTER COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,040,719	\$ 882,964	\$ 157,755
Protection to Persons and Property	1,216,157	1,127,648	88,509
General Health and Sanitation	184,250	160,538	23,712
Social Services	500		500
Roads	1,084,041	1,472,260	(388,219)
Debt Service	6,813	2,985	3,828
Capital Projects	11,200		11,200
Administration	1,079,649	762,380	317,269
 Total Operating Budget - General Fund Type	 \$ 4,623,329	 \$ 4,408,775	 \$ 214,554
Other Financing Uses:			
Transfers to Detention Facility			
Bond Issue Fund		96,579	(96,579)
Capital Lease - Principal	40,187	40,187	
 TOTAL BUDGET - GENERAL FUND TYPE	 \$ 4,663,516	 \$ 4,545,541	 \$ 117,975
Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 67,391	\$	\$ 67,391
Protection to Persons and Property	118,100		118,100
General Health and Sanitation	1,699,023	618,186	1,080,837
Capital Projects	2,750		2,750
 TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	 \$ 1,887,264	 \$ 618,186	 \$ 1,269,078

CARTER COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

Expenditure Categories	DEBT SERVICE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 175,000	\$	\$ 175,000
Capital Projects	<u>175,000</u>	<u>770,838</u>	<u>(595,838)</u>
Total Operating Budget - Debt Service Fund Type	\$ 350,000	\$ 770,838	\$ (420,838)
Other Financing Uses:			
Bonds Payable -			
Principal	65,000	65,000	
Interest	<u>297,223</u>	<u>297,222</u>	<u>1</u>
TOTAL BUDGET - DEBT SERVICE FUND TYPE	<u>\$ 712,223</u>	<u>\$ 1,133,060</u>	<u>\$ (420,837)</u>

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SCHEDULE OF JUSTICE CENTER CORPORATION FUND EXPENDITURES





CARTER COUNTY  
SCHEDULE OF JUSTICE CENTER CORPORATION FUND EXPENDITURES

For The Fiscal Year Ended June 30, 2003

<u>Expenditure Items</u>	<u>Justice Center Corporation Fund</u>
Administrative Fees	\$ 91,720
Construction	<u>1,583,279</u>
Total	<u>\$ 1,674,999</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Charles Wallace, Carter County Judge/Executive  
Honorable Alice Joy Binion, Former Carter County Judge/Executive  
Members of the Carter County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Carter County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Carter County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs.

- 2003-02 The Fiscal Court Should Adopt A Written Investment Policy
- 2003-03 The Fiscal Court Should Maintain A Schedule Of Federal Financial Assistance
- 2003-04 The Fiscal Court Overspent The Detention Facility Bond Issue Fund

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carter County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Carter County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs.

- 2003-01 Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 15, 2004

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REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Charles Wallace, Carter County Judge/Executive  
Honorable Alice Joy Binion, Former Carter County Judge/Executive  
Members of the Carter County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Carter County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Carter County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Carter County's management. Our responsibility is to express an opinion on Carter County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carter County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Carter County's compliance with those requirements.

In our opinion, Carter County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Carter County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Carter County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Carter County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs.

- 2003-05 The Fiscal Court Did Not Maintain Controls Over Procurement, Suspension and Debarment For The Olive Hill High School Rehab Program

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 15, 2004

## FINDINGS AND QUESTIONED COSTS



CARTER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Carter County.
2. One reportable condition disclosed during the audit of the financial statements is reported in the Independent Auditor's Report. This condition is not reported as a material weakness.
3. Three instances of noncompliance material to the financial statements of Carter County were disclosed during the audit.
4. One reportable condition disclosed during the audit of the major federal awards programs is reported in the Independent Auditor's Report. The condition is reported as a material weakness.
5. The auditor's report on compliance for the audit of the major federal awards programs for Carter County expresses an unqualified opinion.
6. Audit findings relative to the major federal awards programs for Carter County are reported in Part C of this schedule.
7. The programs tested as major programs were: FEMA Disaster Recovery (CFDA #83.544) and Intermodal Surface Transportation Efficiency Act - Olive Hill High School Rehab (CFDA #20.205).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Carter County was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITION

2003-01 Lacks Adequate Segregation Of Duties

The County has a lack of adequate segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the county has limited options for establishing an adequate segregation of duties. We recommend the following controls be implemented to strengthen this internal control weakness:

- An independent person should list all receipts and agree them back to the treasurer's receipt ledger.
- An independent person should open bank statements and review them for unusual items, such as debit memos, and overdraft charges. This can be documented by the person initialing the envelope or bank statement.
- An independent person should complete bank reconciliations or review the treasurer's bank reconciliations for accuracy. This can be documented by the person initialing the bank reconciliation.
- An independent person should compare fiscal court order approvals to invoices and cancelled checks.

*County Judge/Executive Charles Wallace's Response:*

*We will try to implement these.*

CARTER COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

NONCOMPLIANCES

2003-02 The Fiscal Court Should Adopt A Written Investment Policy

The fiscal court has not adopted a written investment policy to govern the investment of public funds. KRS 66.480(3) requires fiscal courts to have adopted, by January 1, 1995, a written investment policy. It is important to adopt a written investment policy to assure the safety and security of public funds. KRS 66.480(3) lists specific information that the written investment policy should include. We recommend the fiscal court adopt a written investment policy per KRS 66.480(3). If needed, the fiscal court should request the County Attorney assist in developing a written investment policy.

*County Judge/Executive Charles Wallace's Response:*

*We will discuss this with the county attorney and have him prepare one.*

2003-03 The Fiscal Court Should Maintain A Schedule Of Federal Financial Assistance

The fiscal court did not maintain a Schedule of Federal Financial Assistance. The fiscal court is required to prepare and maintain a Schedule of Federal Financial Assistance. This schedule should be started at the beginning of the fiscal year and updated each time there are grant expenditures. The Schedule of Federal Financial Assistance is used to determine if the fiscal court is required to have a Single Audit and should contain the following information:

Name of Federal Program

CFDA #

Pass-Through Grantor's Number if applicable or Grant Number

Expenditures for Fiscal Year

*County Judge/Executive Charles Wallace's Response:*

*This problem is already being corrected.*

2003-04 The Fiscal Court Overspent The Detention Facility Bond Issue Fund

The Detention Center Project Fund budget was overspent by \$420,838. KRS 68.300 says that any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within budget appropriation, shall be void. We recommend the Fiscal Court obtain budget amendments as necessary.

*County Judge/Executive Charles Wallace's Response:*

*OK.*

CARTER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Fiscal Year Ended June 30, 2003  
(Continued)

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

- Lacks Adequate Segregation Of Duties
- The Fiscal Court Should Adopt A Written Investment Policy
- The Fiscal Court Should Maintain A Schedule Of Federal Financial Assistance

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM  
AUDIT

2003-05 The Fiscal Court Did Not Maintain Controls Over Procurement, Suspension And  
Debarment For The Olive Hill High School Rehab Program

The Carter County Fiscal Court did not maintain controls for the Procurement, Suspension, and Debarment requirement over the Olive Hill High School Rehab Program. U.S. Department of Transportation made available funds for the Intermodal Surface Transportation Efficiency Act (CFDA # 20.205); those funds are passed through the Kentucky Transportation Cabinet and are then awarded to local governments. The Carter County Fiscal Court was awarded funds of \$200,000 for the renovation of the Olive Hill High School. The federal government requires any recipients of federal moneys be aware of certain requirements and maintain an internal control system to determine these requirements are met. Carter County Fiscal Court was not aware of the requirements for determining if contractors have been suspended or debarred from federal projects. Also, they did not determine if the contractor for this project was suspended or debarred. Auditors were able to determine the contractor had not been suspended or debarred from federal projects. Therefore the county did comply with the compliance requirement and therefore, there are no questioned costs. However, the county did not have any procedures in place that would ensure the contractor was not suspended or debarred. We recommend that the County maintain controls over compliance requirements for federal award programs.

*County Judge/Executive Charles Wallace's Response:*

*Now that we are aware of this problem, we will correct this in the future.*

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



CARTER COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
FEMA Disaster Recovery		
(CFDA #83.544)		
March 2002	FEMA 1407-DR-KY	\$ 233,252
February 2003	FEMA 1454-DR-KY	889,294 *
May 2003	FEMA 1471-DR-KY	<u>110,883</u>
Total U.S. Federal Emergency Management Agency		\$ 1,233,429
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department for Local Government:		
Community Development Block Grants-Rattlesnake Ridge Water Expansion Project		
(CFDA #14.228)	B-99-DC-21-0001(064)	618,186
<u>U.S. Department of Transportation</u>		
Passed-Through State Department of Transportation:		
Intermodal Surface Transportation Efficiency Act - Olive Hill High School Rehab		
(CFDA #20.205)	Not Available	<u>200,000</u>
Total Cash Expenditures of Federal Awards		<u>\$ 2,051,615</u>

\*Of this total, \$243,783 has currently been made ineligible for reimbursement. However, the county is appealing that decision.

CARTER COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Carter County, Kentucky, and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2.

As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CARTER COUNTY FISCAL COURT

For The Fiscal Year Ended  
June 30, 2003



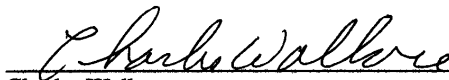
**CERTIFICATION OF COMPLIANCE**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**CARTER COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2003**

The Carter County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Charles Wallace", is written over a horizontal line.

Charles Wallace  
County Judge/Executive





